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6 December 1982

MEMORANDUM

SUBJECT: The US-China Relationship: In Danger of
Further Erosion [REDACTED]

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Despite the 17 August joint communique the US-China relationship remains in trouble. Beijing continues to believe that the United States is losing interest in China and devaluing China as a strategic asset. The Chinese themselves have adopted a contradictory approach toward strategic cooperation that is likely to complicate efforts to resume the dialogue on that issue. They are complaining about being taken for granted by the United States and are indicating they want discussions to put US-China strategic cooperation in "long-term perspective." At the same time, the Chinese are downplaying strategic cooperation to gain more maneuverability in their relations with both the United States and the USSR. This action also meets domestic imperatives that require a more independent, nationalistic foreign policy stance.

Your forthcoming visit will be viewed by the Chinese as a key indicator of whether the United States is willing to reestablish a consultative dialogue at the highest levels and meet their high expectations of the benefit that can be derived from the relationship. It will provide the United States with another opportunity for educating the Chinese as to what they realistically can expect from Sino-US cooperation over an extended period.

China's Changing Foreign Policy

We believe the Chinese undertook a major reassessment of their foreign policy in early 1981 that prompted them to adopt a more independent foreign policy stance and to position themselves to improve relations with the Soviets. In our view, there are two principal and closely related factors involved in the decision:

- Criticism by conservatives in the Chinese leadership of Deng Xiaoping's tilt to the West.
- Distrust of the Reagan administration's position toward Taiwan and disappointed expectations for Sino-US cooperation.

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Despite repeated disclaimers, the Chinese are playing the Soviet card. The Chinese have not so far fundamentally altered their overall perception of the Soviet threat and the importance of the United States to China's national security. [REDACTED] 25X1

[REDACTED] the 25X1 Chinese believe dealing with the Soviets gives them leverage over the United States on the Taiwan issue and helps curb US tendencies toward taking them for granted. They presumably calculate that a renewed Sino-Soviet dialogue will forcefully remind the United States and its allies of China's importance in the geostrategic equation.

Your impending visit to Beijing is an important factor in China's current triangular game. The Chinese want to enter the next round of Sino-Soviet talks in Moscow against the backdrop of a reasonably successful visit by the US Secretary of State. They will almost certainly provide you with a general (and self-serving) readout on the last round of Sino-Soviet talks, emphasizing standard anti-Soviet themes and the obstacles to improved relations with Moscow. At other times they may be dropping hints that there could be more substance to the Sino-Soviet dialogue than meets the eye.

Technology Transfer: The Litmus Test

The Chinese, of course, will be keenly interested in using your visit to assess whether their opening to Moscow is having the desired effect in Washington and if the United States is ready to be more forthcoming in assisting China's economic and military modernization.

In this regard, we believe technology transfer and liberalized export controls are what Deng Xiaoping means by citing the need for building mutual "trust" in the Sino-US relationship. They will keep pressing the issue in hopes of extracting further US initiatives in the transfer of advanced--and military end-use--technologies.

The technology transfer issue also has important domestic political implications because the Dengists require high visibility assistance to temper criticism by conservatives and the military of the "open-door" policy. Technology transfer, in short, has taken on considerable symbolic importance both as a measure of the success of Deng's program of relying primarily on the West and Japan for economic assistance and of the value the US places on its relations with China.

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Domestic Political and Economic Considerations

Deng's reform program has generated new sets of problems and has not eased widespread apathy and cynicism, low labor productivity, and bottlenecks in key sectors of the economy. This has left the program vulnerable to attack by conservatives who oppose the Dengist emphasis on pragmatism and material incentives.

The continuing debate within China concerning economic policies and how they are best achieved has a direct impact on Sino-US relations in several ways. Criticism of the reformers' program make it imperative for them to demonstrate the benefits of opening up to the West by being able to point to high visibility assistance. It also imparts a sense of urgency and unrealistic expectation to the demands they make of us. The criticism that the reformers are sacrificing ideology on the altar of modernization conversely makes it imperative for the reformers to adopt an independent nationalistic stance, and thereby put more political distance between themselves and the West in general and the United States in particular. The recent textbook controversy with Japan showed how domestic imperatives could have a potentially negative impact on political and economic cooperation.

The need continually to build and rebuild a consensus on economic policy raises the question as to whether Deng's successors will share his ability to balance off his opponents. In a post-Deng era Hu Yaobang and Zhao Ziyang are likely to be heavily engaged in establishing their domestic political positions in the face of continuing conservative pressure. They will almost certainly have less authority than Deng now has and this raises questions about their ability to deal constructively with the West.

Deng is approaching 80 and increasingly is showing his age. His successors will not have his ability to act unilaterally and pragmatically at critical junctures in the Sino-US relationship. On the contrary, we believe they will be more prone to take refuge in an increasingly conservative and stridently nationalistic foreign policy.

An Unstable Situation

We believe that the Chinese still see a constructive relationship with Washington as essential to their national security. But the Sino-US relationship at the moment is floundering and unstable--in part because of unrealistic Chinese expectations of the derived benefits and in part because of China's decision to try to extract those benefits over the longer-term by playing triangular politics in earnest.

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A revival of the 1979-80 "honeymoon" period in Sino-US relationship--a period during which both sides exaggerated their common interests and underplayed their differences--seems out of the question. For that matter, if the Chinese cannot be induced to reduce their expectations to more realistic levels, future frictions over Taiwan, technology transfer, and a host of other irritants such as the inevitable next Chinese defector will be extremely difficult to manage. But we also believe that further concrete steps to expand Sino-US cooperation are essential if the Sino-US corner of the triangle is to be stabilized.

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